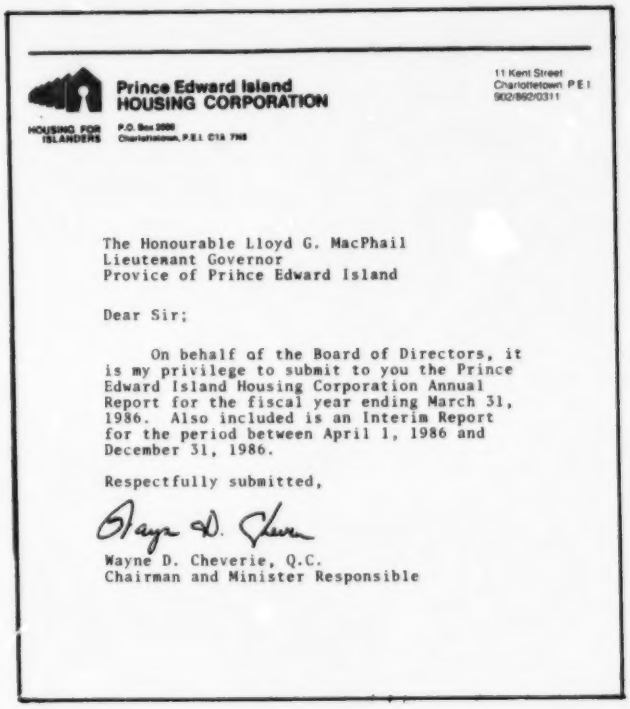
Annual Report 1985/86

with Interim Report to December 1986

Prince Edward Island
Housing Corporation

87-03475/

Letter of Transmittal



Prince Edward Island
HOUSING CORPORATION

HOUSING FOR ISLANDERS

P.O. Box 2000
Charlottetown, P.E.I. C1A 7N8

11 Kent Street
Charlottetown P.E.I
902/8620311

The Honourable Lloyd G. MacPhail
Lieutenant Governor
Provice of Prihce Edward Island

Dear Sir;

On behalf of the Board of Directors, it is my privilege to submit to you the Prince Edward Island Housing Corporation Annual Report for the fiscal year ending March 31, 1986. Also included is an Interim Report for the period between April 1, 1986 and December 31, 1986.

Respectfully submitted,

Wayne D. Cheverie, Q.C.
Chairman and Minister Responsible

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Board of Directors

As at December 31, 1986

Honourable Wayne D. Cheverie, Q.C., Chairman
Minister Responsible for the
Prince Edward Island Housing Corporation

Robert Carruthers, Vice-Chairman
Alberton

Earle Arsenault, Secretary-Treasurer
East Royalty

Ernest Beck
Alliston

Jack Callaghan
Hillsborough Park

M. Allison Croken
Charlottetown

Joseph Doran
Foxley River

John Forbes
Summerside

Donald O'Keefe
Bear River

General Manager's Review

It is sometimes said that the only constant is change. That has proven to be very true for housing programs and the housing market in recent years.

In a small province such as P.E.I., our programs and activities, to a very great extent, often revolve around federal funding availability and programs. This factor has made the federal-provincial housing negotiations of 1985 and 1986 of particular importance to P.E.I. We have approached these negotiations with an objective of ensuring that the residents of our province continue to enjoy access to housing programs that are appropriate to their needs and effective in dealing with their situations.

Federal housing programs and funding arrangements have traditionally played a key role in providing housing assistance to Islanders. While it is important to maintain and strengthen this base, it is essential that any future funding arrangements give proper recognition to provincial financial input and participation in shaping and directing joint housing initiatives. Although the negotiations were very successful in many respects, the Province of Prince Edward Island was not able to accept the Global and Operating Agreements ultimately proposed by the Canada Mortgage and Housing Corporation.

Although we have not accepted these Agreements, there has been very much of a positive nature that has come about as a result of the negotiations. Both the Province and the Federal Government have committed themselves to maintaining a high level of new social housing construction. The Province has been successful in obtaining an allocation of units that recognizes our special needs and situation. Although the two levels of government will individually fund new social housing projects, the overall production of new housing for the Island's needy households will exceed that of recent years. Prince Edward Islanders will continue to enjoy full access to all available federal housing programs.

The absence of Agreements has meant that even greater emphasis has been placed on our day-to-day working relationship with the provincial CMHC office. We have enjoyed excellent co-operation with this office and, on behalf of the P.E.I. Housing Corporation, I would like to compliment the local office on its constructive approach to the new arrangements.

Change has not been confined to federal-provincial programming. One of the Province's initiatives in 1986 was the introduction of the Rural Mortgage Lending Support Program. This program is aimed at providing an improved supply of mortgage funds at fair market rates to those wishing to locate in rural areas. The program is of particular interest not only for what it does but for what it represents in its approach to meeting a housing need. The program works in partnership with the private sector, in this case the Credit Union League. The credit unions use their expertise and existing network of branches to assess the applications and the Province provides an increased supply of loan funds. This approach allows for a greater equity of access to housing in all regions of P.E.I., utilizes the resources of the public and private sectors to their best advantage and provides an effective service at minimal cost to the provincial treasury.

Like housing programming, the housing market itself is subject to change. During the past two years we have experienced a very dramatic upswing in new residential construction. The 1986 total of 1,110 housing starts was the highest such figure of the 1980's. This level of construction has signalled a full emergence from the downturn of the early 1980's. The new construction has helped to meet repressed demand and to replenish a supply of rental housing. While we have been pleased to see a very active and vigorous residential construction sector in recent years and look forward to a continued healthy pace, it will be important that future production be in line with the market needs and the rate of growth of households.

Once again this year, the P.E.I. Housing Corporation has played an important role in serving the housing needs of Prince Edward Islanders. The pages that follow provide a review of the Corporation's programs and activities and I think that our staff can take justifiable pride in the contribution that they have made to the betterment of living conditions in the province. I have long felt that the service given to the public by our staff is second to none and I would like to thank them heartily for their continued efforts.

Ginger Breedon
Acting General Manager

Program Activities

Residential Rehabilitation Assistance Program

Activity under this program was down in 1985 from previous years. During the 1985 calendar year, the P.E.I. Housing Corporation processed a total of 368 approvals. Of these approvals, 337 were in rural areas and had a total forgivable and repayable loan value of approximately $8,889,500. The remaining 31 units were delivered within municipal areas and had a total loan assistance value of $134,500.

In addition to the approvals processed by the P.E.I. Housing Corporation, other approvals were processed by several individual municipalities and by the Canada Mortgage and Housing Corporation. When these approvals are added to the provincially delivered units, the total number of approved units in the province in 1985 stood at 497 with a loan assistance value of approximately $2,371,000.

Funding for RRAP is provided by the Federal Government through the Canada Mortgage and Housing Corporation. The assistance available to households under the program remained unchanged in 1985. The maximum total loan amount available to homeowners was $25,000 with up to $5,000 of the amount being forgivable (or $6,250 for households undertaking repairs to make a home more adaptable to the needs o' a disabled occupant). Landlords were also eligible for the program and could qualify for up to $3,500 per unit in forgivable assistance to cover half the cost of the improvements.

The number of RRAP approvals in P.E.I. has been declining steadily since 1978. In large part this is attributable to the tremendous take-up of the program during its early years in the province. By 1985, over 13,000 dwelling units in P.E.I. had been upgraded through this federally funded program. Having been available for eleven years, the program has served to make substantial improvements to the quality of the province's housing stock.

Provincial Contribution to Seniors — Home Repair Program

The Provincial Contribution to Seniors — Home Repair Program serves a two-fold purpose. First, it provides assistance to modest income senior citizen homeowners to make repairs to their homes. Second, it supports local community groups in making effective use of federal job creation programs. The Provincial Contribution to Seniors — Home Repair Program provides grants of up to $750 per house for eligible homeowners who have reached the age of 60. These grants are applied toward the cost of materials used by community home repair groups. As a result, with the labour input from the job creation projects, repairs can be made at little or no cost to the seniors. Typical repairs include the replacement of doors and windows, the installation of insulation, the fixing of stairs, or other jobs requiring basic carpentry skills.

The income eligibility for the program is tied to the Old Age Security and Guaranteed Income Supplement, which are indexed, so that the income limits rise automatically with inflation. Single person households are eligible where annual income is less than $2,500 above the basic OAS plus GIS amount (approximately $10,000 in 1985) and couples are eligible where their income is up to $2,000 above the basic OAS plus GIS amount (approximately $14,000 in 1985).

The Provincial Contribution to Seniors — Home Repair Program enjoyed the most active year of its six-year history in 1985. There were five community groups that conducted home repair projects during the January to October 1985 period. The activity of the groups was as follows: —

	Approvals	P.C.S. Funding
Southern Kings Community Development Corporation	63	$ 28,700
Eastern Kings Community Advisory Board	54	$ 28,200
Kinsmen Club of Charlottetown	47	$ 23,400
West Prince Community Development Corporation	36	$ 22,000
La Societe de Developpement de la Region Evangeline	34	$ 16,100
Totals	234	$118,400

The groups in Southern Kings, West Prince and Evangeline, in addition to a new group in Summerside, then undertook new projects early in 1986.

Emergency Home Repair Program for Seniors

This program was introduced in April 1985 to provide assistance to modest income senior citizen homeowners when emergency home repairs are required. The Emergency Home Repair Program for Seniors provides grants covering 50% of the emergency repair costs up to a maximum grant of $750. Eligible work includes only repairs that are emergency in nature and affect the physical safety and health of the occupants or are needed to preserve the dwelling as a habitable unit. As with the Provincial Contribution to Seniors — Home Repair Program, the income eligibility guidelines are tied to the Old Age Security and Guaranteed Income Supplement so that they rise automatically with inflation. As at the end of 1985, the maximum eligible annual incomes stood at approximately $10,000 for singles and $14,000 for couples.

During its first year of operation, the Emergency Home Repair Program for Seniors assisted 248 senior citizen homeowners and provided approximately $122,000 in grant assistance. Roof repairs were the most common repair work (22% of all approvals) with repairs to chimneys, foundations, water systems and doors and windows also being very much in demand. Many of the repairs were made on older homes. Almost a quarter of the approvals, for instance, were given for houses at least 100 years old. The average grant per approval was $519 indicating that the total repair cost averaged over $1,000. Such costs would undoubtedly be very difficult for seniors to manage without the assistance provided by the program.

Senior Citizens Housing

For over 20 years, the Senior Citizens Housing Program has served as a means of providing apartment style rental housing for elderly residents throughout Prince Edward Island. As of 1986, Senior Citizens Housing projects were located in 36 different Island communities. Demand for the program continued to be strong, with over 600 applicants on file. Tenants are selected in accordance with their need for housing assistance and their rents are geared to income.

In terms of new construction, a total of 34 units in three locations were started during 1985/86.

Sherwood	16 units
Summerside	14 units
Tracadie Cross	4 units

The construction and operating costs of these projects are shared between the federal and provincial governments on a 75% federal/25% provincial basis. In addition to the projects started, projects were completed and opened in Charlottetown (22 units), Montague (8 units), Tignish (8 units) and Souris (6 units).

Once projects have been completed, they become part of the portfolio that is managed and administered by the Corporation. The portfolio stood at 954 units as at March 31, 1986. This stock of units has grown rapidly in recent years. The increase in the 1980 to 1986 period, for instance, was slightly over 40%. The maintenance of Senior Citizens Housing units provides a substantial economic boost at the local community level. When all maintenance, operating and building subsidy costs are taken into account, approximately $2.5 million per year is spent in association with this housing stock, much of it at the local level.

Family Housing

Demand for the Family Housing Program has grown steadily in recent years. In response, the Federal and Provincial Governments have joined in funding projects that have increased the supply of Family Housing units in P.E.I. by 51% in the 1980-1986 period.

Five projects, totalling 28 units, were started under the program in 1985/86.

Charlottetown Area	8 units
Summerside	6 units
Alberton	6 units
Montague	6 units
Georgetown	2 units

These new projects will raise the total number of Family Housing units in the province to 270.

In addition to these starts, projects were also completed in Summerside (12 units), the Charlottetown Area (2 units) and Georgetown (2 units).

Family Housing projects are located in nine community centres on the Island. Each of these areas has a local Housing Authority which manages the projects. The members of the local Housing Authorities are local residents who provide their time without remuneration. The P.E.I. Housing Corporation is responsible for liaison with the Authorities and provides advisory assistance.

Funding for the construction and operation of Family Housing projects is shared on a 75% federal/25% provincial basis in accordance with Section 40 of the National Housing Act. Tenants are selected by the local Housing Authorities after an analysis of applicant needs. Rental charges are based on the income of the tenants.

Rural Community Housing

The Rural Community Housing Program was introduced in June 1985 to provide support to rural communities through the construction of affordable rental housing in small established communities in P.E.I. These communities often have few rental housing units available, the type of housing usually needed by young families who cannot afford to build their own home at the present time. The program was developed to provide a limited number of homes to be rented to families to help them remain or locate in the communities.

Construction began in 1985/86 on 13 houses located in the communities of: —

Borden	Morell	St. Peters
Cardigan	Murray Harbour	Tyne Valley
Elmsdale	Northport	Vernon Bridge
Fort Augustus	North Rustico	Wellington
Kensington		

The construction and operating costs of these units are being cost shared on a 75% federal/25% provincial basis.

Subsequent to the development of the Rural Community Housing Program, the Canada Mortgage and Housing Corporation introduced a new initiative to federally fund and deliver housing units in rural communities and areas in P.E.I. This initiative has replaced the Rural Community Housing Program.

Public Non-Profit Housing

The P.E.I. Housing Corporation continued in 1985/86 to play an important role in major projects aimed at upgrading the Province's care facilities. Attention during the year was focused on the completion of the 80 bed Hillsborough Special Care Centre and the construction of the 132 bed Beach Grove Home in West Royalty. The Corporation has assisted the Province in these projects by co-ordinating the application for federal assistance under CMHC's Public Non-Profit Housing Program, securing private sector mortgage financing for the projects and participating in the development of plans and arrangements for the construction and equipping of the facilities. The projects will be operated by the Province's Department of Health and Social Services.

The Hillsborough Special Care Centre had its official opening on November 12, 1985. Meanwhile, construction progressed favourably on the Beach Grove Home as it headed for completion later in 1986. Both of these projects, which have a combined capital construction value of $13.5 million, will replace badly outdated facilities with contemporary buildings that are safer, better equipped and more amenable to client needs.

Helping Hands for Seniors Project

A record 171 approvals, up 15% from the previous high, were made under the Helping Hands for Seniors Project during the summer of 1986. The project employed 16 students to assist senior citizen homeowners with small maintenance items such as painting, yard clean-ups, stacking woodpiles and sprucing up home exteriors. The students were employed under the Provincial Youth Development Program, which is funded by the Department of Industry, and operated out of each of the five regional services centres.

Summary of Activities

Summary of Program Activities for 1985/86
Prince Edward Island Housing Corporation

Program	Units Assisted	Expenditures/Comments
Home Repair Program		
*Rural RRAP	337	$1,889,500 (Federal)
*Urban RRAP	31	$ 134,500 (Federal)
Provincial Contribution to Seniors	234	$ 188,500 (Provincial)
Emergency Home Repair for Seniors	248	$ 122,000 (Provincial)
Rental Construction		
Senior Citizens Housing	34	$1,450,000 construction
Family Housing	28	$1,500,000 construction
Rural Community	13	$ 820,000 construction
Public Non-Profit		
Hillsborough Special Care	80	$5,700,000 construction
Beach Grove Home	132	$7,800,000 construction
Property Management		
Senior Citizens Housing	954	maintenance & administration
Family Housing	242	advisory services
Social Housing	65	management & administration
Rural & Native	38	management & administration
Rural Communty	13	management & administration
Mortgage Administration		
Mortgages Administered	511	$6,687,000 mortgage value

* Figures are for 1985 calendar year. The figures are for approvals processed by the P.E.I. Housing Corporation and do not include approvals in P.E.I. by other delivery agents.

Interim Report (April — December 1986)

The Period in Review

The residential construction sector enjoyed its most active year of the 1980's in P.E.I. in 1986. Building permits were issued for 1,118 units during the 1986 calendar year, a very substantial 30% increase over 1985. Factors such as lower interest rates for mortgages, encouraging economic performances in most sectors and the pent-up demand from earlier in the 1980's combined to create a strong demand both for new homes and new rental housing. Construction was particularly brisk in the urban areas where several new subdivisions have recently opened up. A second consecutive year of high levels of multiple unit starts in the two urban centres should help to ease the low vacancy rates that Charlottetown and Summerside have experienced in recent years.

The federal-provincial housing negotiations of 1985 and 1986 began to reshape some of the P.E.I. Housing Corporation's activities. The Corporation will no longer, for example, serve as a delivery agent for the Residential Rehabilitation Assistance Program. On the other hand, its involvement in new Senior Citizens and Family Housing projects has increased.

The Corporation also introduced a new program in 1986, the Rural Mortgage Lending Support Program. Urban oriented lending practices often make it difficult for home builders or home buyers in rural areas to obtain the mortgage financing they need. This program will improve the availability of mortgage funds, at fair market rates, in these areas.

Residential Rehabilitation Assistance Program

As part of its national review of federal-provincial housing arrangements, CMHC required that, from 1986 onwards, any provinces wishing to act as a delivery agent for RRAP would have to cost share in the program funding. After consideration, Prince Edward Island decided not to enter into a cost-sharing agreement for the program. While this decision will mean that the P.E.I. Housing Corporation will no longer act as a delivery agent for the program, eligible households in the province will still have access to the program through CMHC delivery.

Provincial Contribution to Seniors — Home Repair Program

The four home repair groups that were active in 1986 combined to make 126 approvals. These groups were active in Southern Kings and Queens (45 approvals), West Prince (43 approvals), Summerside (19 approvals) and the Evangeline Region (19 approvals). The Province provided approximately $70,600 in grant assistance for these repairs.

Emergency Home Repair Program for Seniors

As of December 31, 1986, approvals had been issued for 219 grants under the program for the 1986/87 fiscal year. The assistance provided through these grants amounted to $114,000.

Rural Mortgage Lending Support Program

This program, introduced in the spring of 1986, is a new provincial homeownership initiative designed to improve the access to conventional mortgage financing for homes in rural areas. In the past, many households have had difficulty obtaining sufficient mortgages in rural areas. The Rural Mortgage Lending Support Program is an initiative used by the Province in co-operation with the Prince Edward Island Credit Union League whereby the Province ensures a supply of long-term loan funds to the League so that improved access to mortgage financing at fair market rates is available to those wishing to reside in rural communities. During its first year of operation, the Province advanced a total of $1,517,200 to the Credit Union League in order to make 47 mortgage loans possible.

Senior Citizens Housing

The projects in Sherwood (16 units), Summerside (14 units) and Tracadie Cross (4 units) were completed and occupied. The construction program for new projects was approved by the Federal and Provincial Governments and will bring about the construction of new projects in Charlotetown (37 units), Montague (8 units), Souris (6 units), St. Charles (4 units) and South Rustico (4 units).

Family Housing

Projects were completed in Summerside (6 units), Alberton (6 units), Montague (6 units) and Georgetown (2 units). Due to a late start, the 8-unit project in Charlottetown was still under construction at year-end. The 1987 construction plans approved by the Federal and Provincial Governments call for new Family Housing units in O'Leary (8 units), Summerside (10 units), Charlottetown Area (20 units) and Souris (6 units).

Public Non-Profit Housing

The last of three major special care projects, the Beach Grove Home, was completed in 1986 and celebrated its official opening on October 17th.

Helping Hands for Seniors

The 1986 summer project employed 16 students and assisted 133 senior citizen households.

Activities Overview and Organization

Background

The Prince Edward Island Housing Corporation is a provincial crown corporation whose central objective is to provide low and moderate income Island residents with increased access to adequate housing. The Province first initiated its own housing programs in the early 1960's when boards and agencies were established to undertake Senior Citizens Housing, Co-operative Housing and Family Housing projects. These agencies were brought together in 1969 as part of the Prince Edward Island Housing Authority. A revision of the housing legislation in 1975 changed the name of that body to its current designation, the Prince Edward Island Corporation.

To carry out the Province's mandate in the housing sector, the Housing Corporation employs a staff of 46. Responsibilities of the staff include program and service delivery, maintenance, capital construction, administration, planning, financial management and rent review. The Corporation provides full-time services on a regional basis in all five of the province's regions. Approximately two-thirds of the Corporation's staff is located in the regional offices.

Housing and the Economy

Residential construction represents one of the major sectors in the P.E.I. economy. In 1985, it accounted for a direct investment of $97 million for new construction and repair. Most of this spending was generated by the private sector. The majority of housing needs in the province have been, and will continue to be, met through the normal forces of the private market. Within the overall housing spending, however, provincially delivered housing programs play an important role. In addition to directing funds to housing projects and activities that would otherwise not take place, the housing programs help to lever other federal and private expenditures. The housing programs described in this report generated approximately $15 million in direct spending for housing construction and repair in 1985/86. When the multiplier effect is included, this program activity created approximately 400 work years of employment.

Organizational Structure

The actions of the Housing Corporation are conducted under the guidance of the Board of Directors. The Board is responsible to the Minister designated as responsible for the Prince Edward Island Housing Corporation. It has been traditional that the Minister is also appointed as Chairman of the Board. The chief executive officer is the General Manager. Reporting to the General Manager are the Rentalsman and the directors of the corporation's four divisions (the responsibilities of the Rentalsman are outlined elsewhere in this report).

The Field Services Division is responsible for the program delivery functions of the Housing Corporation. It is the largest of the Corporation's divisions and provides the staff for the five regional offices. Most members of the public have their contact with the Corporation through Field Services staff. Among the tasks performed by the Division are processing applications for assistance, con-

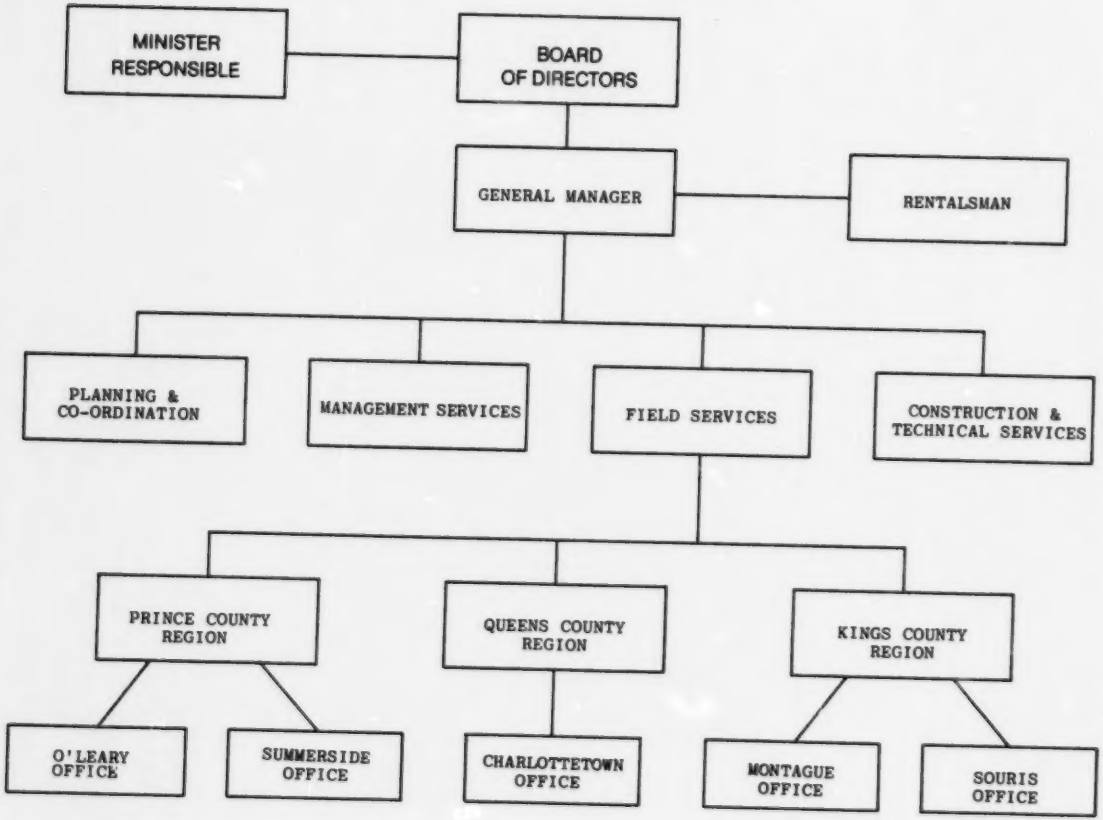
ducting inspections, managing the housing stock owned by the Corporation, providing technical and administrative assistance to the local housing authorities, performing inspections for the Province on privately operated community care facilities and handling the day-to-day program inquiries.

The Construction and Technical Services Division is responsible for the construction of capital projects for the Housing Corporation. Its duties include locating and evaluating sites for the projects, land acquisition, liaising with architects on project designs, reviewing tender package submissions in co-operation with CMHC, supervising the tender calls, monitoring construction and accepting the completed projects. The Division also provides technical services advice, where required, to Field Services.

The Management Services Division is responsible for the financial administration and management systems of the Housing Corporation. In the area of financial operations, the Division is responsible for preparing the Corporation's budget, monitoring spending, cheque disbursements, accounting records and financial control. The Division receives all mortgage and rent payments to the Corporation and administers the collection and arrears procedures. With respect to management systems, the Division is responsible for personnel, office operations including equipment and supplies, operating the Corporation's computer system, activity and monitoring reporting for programs and reviewing procedures for efficiency. In addition to their work for the Housing Corporation, several members of the Division provide financial management and personnel services to the Provincial Department of Community and Cultural Affairs.

The Planning and Co-ordination Division is responsible for policy development and review and for providing a full range of planning services, including assessment for housing needs, market analysis, program planning and maintenance of statistical records and housing data. The co-ordination functions include working with the other divisions in scheduling program delivery and budget take-up, reviewing program procedures and providing resource assistance, and the responsibility for liaison and negotiations with federal, provincial and municipal agencies. Public information also falls under the mandate of the Division.

ORGANIZATIONAL CHART
PRINCE EDWARD ISLAND HOUSING CORPORATION



The Office of the Rentalsman

The office of the Rentalsman has been associated with the P.E.I. Housing Corporation since 1981. The Rentalsman is responsible for administering the Rent Review Act and for answering inquiries on the Landlord and Tenant Act.

The Rent Review Act provides for landlords of residential premises to apply for approval of rent increases that exceed the allowable percentage established annually through the Act. Tenants must be given three month's written notice before a rent increase may be charged. An informal hearing is held on all applications to receive input from the landlord and tenant(s) and, after considering such factors as costs, expenditures on maintenance and the profit or loss of the landlord, the Rentalsman makes a decision on an approved rental charge. This decision is communicated in writing to the landlord and tenant(s).

The Landlord and Tenant Act outlines the rights and responsibilities that landlords and tenants have in respect to rental premises. Part V of the Act relates specifically to residential premises. Adjudication of disputes in matters governed by the Act is the responsibility of the Courts.

Activities in 1986

The allowable percentage rent increase in 1986, as provided through the Rent Review Act, was three percent for both heated and unheated units. This percentage of increase was the same as that which had applied in 1985, generally reflecting a stable period of relatively low inflation.

Applications for rent increases were down substantially in 1986 compared to 1985. Much of this decrease can be attributed to the relative stability in operational costs and in the rental housing market in general. The tables on the following pages provide summary information on activity under the Rent Review Act in 1986.

Review of Tenancy Legislation

The Special Committee on Legislative Proposals, which had been established in 1985 to review the current Landlord and Tenant and Rent Review Acts, held several public meetings during the latter part of 1986. The Committee received a very active response with a cross-section of business, tenant and social interest groups submitting briefs and appearing before the Committee. The Committee is to table a report on the public input on the two Acts to the 1987 sitting of the Provincial Legislature.

TABLE I — APPLICATIONS AND DECISIONS

	No. of Applications	No. of Units
APPLICATIONS 1986		
Applications Resulting in Decisions		
Applications for Rent Increases	113	487
Applications for Trailer Parks	3	57
Applications to Discontinue Service	2	2
Applications Declared Null & Void	1	1
Applications not Requiring Decisions		
Cancelled by Landlord/Tenant	1	1
Total	119	548
Applications Pending At Year's End	7	
TOTAL	126	
DECISIONS 1986		
Residential Properties		
Rent Increase Approved	67	231
Rent Increase Not Approved	46	256
Discontinued Service		
Rent Reduced	1	1
Cancelled	1	1
TOTAL Orders Issued	115	489

TABLE II — RENT INCREASES SOUGHT AND APPROVED

	1986	1985
Rent increases applied for and approved ...	67	270
Number of units	231	762
Average Rent at Application	$311.61	$295.86
Average Increase Requested	$ 38.65	$ 37.20
Average Percentage Approved	12.40%	12.57%
Average Rent After Approval	$350.26	$333.07
Rent increases not approved as applied for .	46	54
Number of units	256	453
Average Rent at Application	$333.59	$367.95
Average Increase Requested	$ 54.49	$ 58.44
Average Percentage Requested	16.33%	15.88%
Average Increase Approved	$ 28.53	$ 24.41
Average Percentage Approved	8.55%	6.63%
Average Rent After Approval	$362.12	$392.36
Consolidated Information		
Number of units	487	1215
Average Rent at Application	$322.60	$322.74
Average Increase Requested	$ 46.57	$ 45.12
Average Percentage Requested	14.44%	13.98%
Average Increase Approved	$ 33.59	$ 32.44
Average Percentage Approved	10.41%	10.05%
Average Rent After Approval	$356.19	$355.18

Financial Statements

AUDITOR'S REPORT

To The Board of Directors of The
Prince Edward Island Housing Corporation

I have examined the balance sheet of the Prince Edward Island Housing Corporation as at March 31, 1986 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the basis of accounting disclosed in Note 1 to the financial statements applied, except for the change in the method of accounting for Rural and Native Housing Rental Units as explained in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

Wayne Murphy, C.A.
Auditor General

Charlottetown, Prince Edward Island
August 13, 1986

PRINCE EDWARD ISLAND HOUSING CORPORATION
BALANCE SHEET AS AT
MARCH 31, 1986
(with comparative figures at March 31, 1985)

STATEMENT 1

ASSETS	1986	1985
Current Assets		
Cash	$ 7,400	$ 3,000
Accounts Receivable	2,298,000	1,138,900
Deposit Receipts — Note 1(a)	217,900	172,200
	2,523,300	1,314,100
Mortgages Receivable	6,189,500	7,222,100
Investment in Properties		
Agreement for Sale — Note 2	617,900	654,000
Land for Resale or Development Note 3	1,612,000	2,574,600
Federal-Provincial Projects Note 4	5,896,600	5,365,700
Rental Housing Projects — — Notes 5, 12	27,810,800	20,531,200
	35,937,300	29,125,500
Other Assets — Schedule 1	126,500	185,200
TOTAL ASSETS	$44,776,600	$37,846,900

LIABILITIES AND EQUITY	1986	1985
Current Liabilities		
Bank Indebtedness — Note 6	$ 209,100	$ 1,413,100
Accounts Payable and Accrued Liabilities — Note 7	2,891,400	3,045,800
Notes Payable — Province of P.E.I. (10.75%)	1,000,000	2,003,100
	4,100,500	6,462,000
Long Term Liabilities		
CMHC — Note 8	14,856,800	15,700,700
Province of P.E.I. — Note 9	7,359,500	6,920,300
Other — Note 10	13,778,300	4,138,300
	35,994,600	26,759,300
Reserves		
Co-operative and Social Housing — Note 1(a)	165,500	164,700
Replacement Reserve Note 1(a)	30,600	6,300
	196,100	171,000
Equity contributed by the Province of P.E.I. — Schedule 2	4,485,400	4,454,600
TOTAL LIABILITIES & EQUITY	$44,776,600	$37,846,900

(THE ACCOMPANYING SCHEDULES AND NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS)

PRINCE EDWARD ISLAND HOUSING CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1986
(with comparative figures for the year ended March 31, 1985)

	1986	1985
Revenue		
Apropriations from the Province of P.E.I.	$2,503,100	$1,666,200
CMHC operating cost recoveries	1,351,500	843,500
Administration fees	206,500	344,000
Rental income	2,558,800	2,021,200
Interest income	837,600	969,200
Sundry — Schedule 3	28,000	30,100
Total Revenue	7,485,500	5,874,200
Expenses		
Administration — Schedule 4	1,727,900	1,532,700
Operating — Senior Citizens Housing — Schedule 5	2,447,700	2,012,900
Interest	3,076,100	2,242,800
Grants issued — Schedule 6	233,800	85,800
Total Operating Expenses	7,485,500	5,874,200
Operating income (loss) for the year	—	—
Write down in value of undeveloped land	(1,000,000)	—
Appropriate from province of P.E.I.	1,000,000	—
Income (Loss) for the year	$ —	$ —

(The accompanying schedules and notes are an integral part of these financial statements)

SCHEDULE 1

PRINCE EDWARD ISLAND HOUSING CORPORATION
OTHER ASSETS
MARCH 31, 1986

	1986	1985
Emergency Power Generators — Note 11	$ 85,200	$ 97,300
Debenture Receivable	5,700	8,000
Repossessed properties	34,500	75,500
Prepaid Expense	1,100	1,200
Stores Inventory	—	3,200
	126,500	185,200

SCHEDULE 2

PRINCE EDWARD ISLAND HOUSING CORPORATION
SCHEDULE OF EQUITY
MARCH 31, 1986

Beginning balance — April 1, 1985		$4,454,600
Add: Additions for the year		
— Manors		34,100
Less: Deductions for the year		
— Senior Citizens Housing	$1,300	
— Family Housing	2,000	(3,300)
Equity contributed by the Province of P.E.I.		$4,485,400

SCHEDULE 3

PRINCE EDWARD ISLAND HOUSING CORPORATION
SUNDRY INCOME
MARCH 31, 1986

	1986	1985
Family Housing — Operations	27,200	26,800
Other	800	800
Rebates on grants issued	—	2,500
	$28,000	$30,100

SCHEDULE 4

PRINCE EDWARD ISLAND HOUSING CORPORATION
ADMINISTRATION EXPENSES
MARCH 31, 1986

	1986	1985
Salaries	1,356,400	$1,306,800
Travel	97,400	92,100
Office and Administration	223,900	133,800
Rural and Native Rental Adjustment — Note 4	50,200	—
	$1,727,900	$1,532,700

SCHEDULE 5

PRINCE EDWARD ISLAND HOUSING CORPORATION
OPERATING EXPENSES — SENIOR CITIZENS HOUSING
MARCH 31, 1986

	1986	1985
Repairs and Maintenance	$1,283,400	$ 890,800
Fuel	565,300	545,500
Utilities	236,300	233,600
Property Taxes	307,400	290,500
Depreciation	55,300	52,500
	$2,447,700	$2,012,900

SCHEDULE 6

PRINCE EDWARD ISLAND HOUSING CORPORATION
GRANTS ISSUED
MARCH 31, 1986

	1986	1985
Mortgage Subsidies	$ 9,000	$ 9,000
Home Improvement Assistance	224,800	76,800
	$233,800	$85,800

PRINCE EDWARD ISLAND HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1986

1. Significant Accounting Policies:

   (a) Trust Reserves are set aside for contingencies in co-operative and social housing and are offset by investments in deposit receipts with the Province of P.E.I.

   Replacement reserves are in place on certain rental properties as required by agreements with C.M.H.C. and those funds are also invested in deposit receipts with the Province of P.E.I.

   (b) With the exception of Social Housing properties, depreciation on rental properties is equal to the principal reduction in the corresponding long term indebtedness with Canada Mortgage and Housing Corporation and private lenders.

   Depreciation is not recorded on Social Housing as the Corporation is hopeful of selling these properties to prospective tenants at cost.

   (c) Federal-Provincial project costs are amortized over the life of the Federal-Provincial agreement. Accumulated amortization represents principal reductions to date on the original investment of the Province of P.E.I.

   (d) Long-term liabilities include the current portions of the long-term debt.

2. Investment in properties under agreements of sale are recorded at cost less tenants' equity.

	1986	1985
Cost	$ 759,100	$ 781,700
Tenants' Equity	(141,200)	(127,700)
	$ 617,900	$ 654,000

3. Investment in land for resale or development consists of the following:

Investment in developed land — at appraised values	$ 972,400	$ 994,700
Underdeveloped Land — at appraised values	410,000	1,410,000
Other underdeveloped land — at cost	229,600	169,900
	$1,612,000	$2,574,600

Investment in developed land is based on 1983 appraisal values of Wilson Real Estate Co. Ltd. The appraisal writedown of $851,300 was recognized in the 1983 financial statements of the Housing Corporation. Investment in land held for development or resale — Hillsborough Development — are based on March 25, 1986 appraisal values provided by Wilson Real Estate Co. Ltd. on two parcels of the undeveloped land holdings in

Hillsborough Development. Based on this appraisal, the Housing Corporation has reduced the value of land held for development or resale by $1,000,000. This writedown is funded by appropriation from the Province of P.E.I.

4. Investments in Federal-Provincial projects are recorded at the Housing Corporation's cost less accumulated amortization and consists of the following:

	1986	1985
Family Housing	$2,001,900	$1,759,400
Senior Citizens Housing	3,653,000	3,451,100
Rural and Native Housing	276,100	182,900
Sub-totals	5,931,000	5,393,400
Less: Accumulated Amortization	(34,400)	(27,700)
	$5,896,600	$5,365,700

The Corporation revised its treatment of Rural and Native Housing Rental units. These units were originally recorded at a gross cost of $542,000 under Rental Properties and the federal contribution of $407,000 or 75% was recorded as if it were a loan payable. In fact, the federal contribution was a grant and the units are now more appropriately recorded under Federal-Provincial projects at net cost to the Corporation of $276,100 less accumulated amortization of $13,900 in accordance with the accounting policy described in note 1(c). Depreciation expense of $13,900 is recorded in the 1986 income statement.

Because the federal contribution was originally recorded as a loan payable, a principal reduction was amortized to revenue each year to simulate repayment. A total of $36,200 was amortized in this way over the years. This amount has been included as an expense in 1986 in order to effect recovery from the province.

The 1985 comparative statements have been restated to reflect the change in treatment described above.

5. Rental Housing properties are recorded at cost less accumulated amortization and consist of the following:

	1986	1985
Senior Citizens Homes	$ 9,115,300	$ 9,115,300
Homes for Special Care	19,194,700	11,806,800
Social Housing	126,800	153,700
Sub-total	28,436,800	21,075,800
Less: Accumulated Amortization	(626,000)	(544,600)
	$27,810,800	$20,531,200

6. Bank indebtedness is guaranteed by the Province of P.E.I.

7. The Corporation has contractual obligations of $2,100,300 on the following construction contracts.

	Total Contracts	Amount Billed To March 31, 1986	Obligations
Senior Citizens and Family Housing Units	$2,125,800	$ 663,700	$1,462,100
Homes for Special Care			
Riverside Home	5,201,700	5,186,400	15,300
Beach Grove Home	6,414,100	5,791,200	622,900
Total	$13,741,600	$11,641,300	$2,100,300

Also, the Corporation is contingently liable for the following:

To approved program applicants for home repair grants	$19,300
To Canada Mortgage & Housing Corporation for Residential Rehabilitation Assistance Program Fund Recipients	29,700
Total	$49,000

8. Loans payable to Canada Mortgage and Housing Corporation consist of the following:

	1986	1985
Mortgages Payable	$ 4,206,800	$ 4,191,900
Debentures Payable	6,408,100	6,533,500
Loans Payable	4,241,900	4,975,300
	$14,856,800	$15,700,700

The above amounts include more than 100 individual balances at varying interest rates and maturity dates.

9. Long term liabilities to the Province are made up of approximately 30 loans having varying interest rates and maturity dates.

10. Other long term liabilities consist of the following:

Mortgage obligations:

Homes for Special Care:	1986	1985
Mutual Life (Riverside Home) 12.875% payable in equal monthly installments of principal and interest of $46,157.40 with final payment in October, 2020.	$4,357,000	$ —
Canada Life (Wedgewood Home) 14% payable in equal monthly installments of principal and interest of $47,387.09 with final payment in November, 2019.	4,134,800	4,138,300

10. (continued)

	1986	1985
Co-operative Trust (Beach Grove) The Beach Grove Home mortgage contract amounts to $7,299,600 at 12.625%, of which the above balance has been advanced to March 31, 1986. Interest charges on advances are at a rate of 11%.	5,028,000	—
Group Home Rental Units:		
Royal Bank (Inkerman Blvd.) 12.25% payable in equal monthly installments of principal, interest and taxes of $767.90 with final payment in January, 2009.	61,700	—
Royal Bank Mortgage (Southport) 14.25% payable in equal monthly installments of principal, interest and taxes of $769.93 with final payment in October, 2004.	59,000	—
Royal Bank mortgage (Woodward Dr.) 12.5% payable in equal monthly installments of principal, interest and taxes of $884.04 with final payment in January, 2005.	77,000	—
Royal Bank mortgage (Springvale) 13.75% payable in equal monthly installments of principal, interest and taxes of $715.75 with final payment in November, 2004.	60,800	—
	$13,778,300	$4,138,300

These mortgages are secured by land and buildings.

11. The Corporation's share of the cost of an emergency power installation program at its Senior Citizens Homes had been set up as an asset to be depreciated over a period of 10 years. The annual depreciation charge which commenced April 1, 1983 is $12,200.

12. A recent appraisal of a group home t Springvale appraised the property at a value of $22,000 below its recorded book value. No provision has been included in the financial statements for the possible loss on this property.